



BANK OF THAILAND NEWS

Northern Region Office

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Northern Region Economic Conditions in January 2011

In January 2011, the Northern region economy expanded well driven by an increase in private investment, private consumption, trade and tourism activities, farm income as well as government expenditure. Nonetheless, manufacturing production and export declined slightly. Inflation remained unchanged from the previous month while employment conditions tightened. As for banking sector, deposits and credits increased favorably.

Details of the economic conditions are as follows:

Northern region's domestic demand continued to expand. **Private Investment Index** (PII) rose remarkably by 9.5 percent year-on-year (yoy) in line with the construction of large-scale projects by public and private sector, residential and commercial buildings. **Private Consumption Index** (PCI) rose from the same period last year and the previous month supported by rising farm income and improved tourism activities. In addition, government expenditure as disbursed from the fiscal budget 2011, accelerated by 116.7 percent (yoy) mainly from the subsidies category of the local administrative organizations' capital expenditure.

With respect to **the external demand**, **export value** through custom houses in the Northern region totaled 253.0 million US dollars, falling by 1.6 percent (yoy) following a decline in exports of agricultural products. In addition, exports of electronic products slowed down from the previous month whereas bordered export slightly decreased. **Import value**, totaling 114.1 million US dollars, grew notably by 14.3 percent (yoy) following imports of raw materials, capital and consumer goods. Furthermore, bordered import grew satisfactorily. **Tourism activities** improved successively from the preceding month as benefited from cool weather and various promotional activities resulting in an increase in occupancy rate and the number of air passengers.

On **the supply side**, **Major Crops Production Index** continued to contract by 3.5 percent (yoy) mainly due to a decline in outputs of sugar cane, major rice, cassava and maize caused by unfavorable weather conditions. This resulted in a rise in prices of **these major crops** except price of major rice paddy which continued to improve as a result of

increased external demand. **Trade index** was up by 3.7 percent with broad-based growth across all categories, particularly sales of consumer goods. However, **Manufacturing Production Index (MPI)** fell slightly by 0.7 percent mainly owing to a decline in production of electronic components and beverage.

Headline inflation rose by 3.1 percent (yoy), stable from the previous month due to government price's subsidy scheme. However, prices of seasonings and condiments as well as vegetables and fruit adjusted upward due mainly to less supply. Meanwhile, domestic retail fuel prices remained fluctuated and stood at a high level. **Core inflation** increased 1.6 percent (yoy).

Employment in December 2010 expanded well following an increase in demand for labor in almost all major sectors, namely wholesale/retail, manufacturing, construction and hotel/restaurant. As a result, unemployment rate stayed low at 0.5 percent. Correspondingly, the number of insured persons under social security system at end-January 2011 amounted to 737,641 persons, increasing by 4.3 percent (yoy).

At end-December 2010 commercial bank **deposit outstanding** increased by 3.9 percent (yoy). **Credit outstanding** rose by 12.8 percent (yoy) following an increase in borrowing demand across businesses including saving cooperatives, personal loans (housing and auto leasing), wholesale and retail businesses, construction-related material trading/construction businesses, rice mill businesses, crop traders and agricultural processed industries.

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